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**To:** KHPA Board  
**From:** Marci Nielsen  
**Re:** Draft Strategic Plan Framework  
**Date:** January 22 2007

**Executive Summary:** This memo will provide you with a draft timetable and set of options/recommendations for a health policy strategic plan, focusing on both the short term (Year one – including this legislative session) as well as the longer term (Years two through five). *The goal: to significantly improve the health care system in Kansas by improving access to health care, enhancing health care quality through information technology and transparency, promoting health and wellness, and increasing affordability of health insurance.*

**Vision Statement:** KHPA: Coordinating health and health care for a thriving Kansas.

**Mission Statement:** As expressed in KSA 2005 Supp. 75-7401, *et seq.*, the mission of Kansas Health Policy Authority (KHPA) is to develop and maintain a coordinated health policy agenda which combines the effective purchasing and administration of health care with health promotion oriented public health strategies. The powers, duties and functions of the Kansas Health Policy Authority are intended to be exercised to improve the health of the people of Kansas by increasing the quality, efficiency and effectiveness of health services and public health programs.

## **YEAR ONE: July 2006-July 2007**

### **A. On-going Activities**

The Board proposed a budget for this legislative session that called for expanding access to health care coverage, improving quality of care, promoting health and wellness, and increasing affordability and sustainability for the Kansas health care system. We are conveying a message to policymakers and the public that these issues are interconnected. The legislative proposals this year are the first step toward more comprehensive reforms that the Board will advance over the course of the next five years. In addition, there are a number of initiatives being planned and implemented this year.

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### **Plan for Improving Access:**

- **Indicators:** Specific measures for the following indicators of health access will be developed and measured over time: (1) Health insurance status; (2) Health professions workforce; (3) Safety net stability; (4) Medicaid eligibility; (5) Health disparities.
  - Goal: To develop the measures for all of the indicators (described for each of the vision principles), a contractor/research team will be hired. The contractor will determine appropriate measures for each indicator which will be collected and printed in a single format, allowing the KHPA Board to track over time and assess improvement. This project will be completed in December 2007 in order to share with policymakers for the 2008 legislative session.
- **Zero to Five.** Promoting access to universal health care for children ages “Zero to Five” – this is an investment in our future that both promotes positive health outcomes and saves the State dollars in the long term.
  - Goal: This expansion of Medicaid and S-CHIP will be approved during the 2007 legislative session and fully implemented by the end of 2008.
- **Disproportionate Share for Hospitals (DSH) Reform.** Reform DSH to increase access to care for the uninsured and maximize the use of federal dollars. The first two of an ongoing series of Disproportionate Share Hospital (DSH) policy planning meetings for hospitals were conducted to provide input that ensures funding is equitable and the program advances state health policy.
  - Goal: This reform project will be completed and approved by CMS by the end of 2007 and implemented in 2008.

### **Plan for Enhancing Quality:**

- **Indicators:** Specific measures for the following indicators of health quality will be developed and measured over time: (1) Use of Health Information Technology/Health Information Exchange; (2) Patient Safety; (3) Evidence based care; (4) Quality of care; (5) Transparency (of cost and quality of health information).
- **Health Information Technology/Exchange (HIT/HIE).** Advance HIT/HIE through the implementation of a nearly completed work plan (March 2007 completion date) developed through the successful efforts of the Health Care Cost Containment Commission and the KHPA staff. Implementation of the plans – developed by stakeholders over the course of the last two years -- squarely places Kansas as a national leader among states for HIT/HIE – initiatives which help decrease administrative costs and promote patient safety. In addition, a successful Community Health Record pilot project for Medicaid beneficiaries is being evaluated for possible statewide implementation.
  - Goal: The HIT/HIE Workplan will be completed by March of 2007 and assessed by the KHPA for implementation in 2007/2008.

- **Transparency.** Promote Transparency for Kansas Consumers and Purchasers through a two phased approach that collects data currently available in one convenient location (through KHPA and State libraries), and then adds health care pricing and quality data (as determined by the Data Consortium – made up of providers, consumers, and purchasers). This kind of information will also help to reduce utilization of care that is not evidence based or is of questionable quality, which can serve to reduce overall health care costs.
  - Goal: The Transparency initiative will be funded by the legislature for implementation in 2007/2008.
- **Data Driven Policy.** Promote Data Driven Policy through the funding of a Data Analytic Interface. This will allow the State to utilize the best data and evidence to inform policy choices that have the greatest potential to have a sustainable impact on reducing health care costs. Kansas is a state that is “data rich” – we have powerful information on private insurers, hospitals, Medicaid, the SEHBP, immunization registry, etc -- but we are sometimes “information poor” because these data sets are not merged in a way that allows for thorough analysis of health policy trends. These data are vitally important in developing a coordinated statewide health policy agenda. In addition, we need this data in order make decisions about the management of health care benefits for Medicaid/SCHIP beneficiaries and for state employees, while balancing access, cost, and quality.
  - Goal: The Data Analytic Interface will be funded by the legislature for implementation in 2007/2008.
- **Strengthening Medicaid.** KHPA submitted six Medicaid transformation grant proposals which will work to increase quality and efficiency of care. We also conducted a systematic review of our Medicaid Information Technology Architecture (MITA) to identify opportunities for structural improvement in data management and operational structures. Future MITA reviews will focus on organization structure to more effectively coordinate health care purchasing.
  - Goal: At least one of the Medicaid transformation grants will be funded by CMS for implementation in 2007/2008.
  - Goal: The MITA project has been submitted to CMS for enhanced federal match. Pending CMS approval, the next phase of the project will be implemented in 2007/2008.

### **Plan for Increasing Affordability and Sustainability:**

- **Indicators:** Specific measures for the following indicators of health care affordability will be developed and measured over time: (1) Health insurance premiums; (2) Cost sharing by consumers; (3) Uncompensated care; (4) Medicaid and SCHIP enrollment; (5) Health and health care spending.
- **Medicaid and SCHIP/HealthWave Sustainability.** KHPA signed two contracts for Medicaid and SCHIP/HealthWave managed care services with two contractors, saving the state between \$10 to \$15 million annually and introducing choice and competition into this important and growing market. Although it is still early, the transition to the new managed care programs is going fairly smoothly and issues are being resolved in an expeditious manner. In terms of

enrollment, we are concerned with new federal reforms that mandate new citizenship verification documentation which have resulted in a decrease of 18,000 to 20,000 in our Medicaid and S-CHIP/HealthWave caseloads. We have shifted as many resources as possible to help at the Medicaid Eligibility Clearinghouse, have asked for more funding for staff this legislative session, are communicating with our federal delegation, and are working with safety net clinics to help access health services for those who are unable to qualify for Medicaid and HealthWave services.

- Goal: The Medicaid MCO transition is currently underway. A full assessment of the transition is on-going with stakeholders; the Board will continue to be apprised of updates on successes and challenges.
  - Goal: The increase in funding for contract and state staff for the Eligibility Clearinghouse will be approved by the legislature. The backlog of paperwork related to eligibility will take a full year to be resolved once funding is obtained.
- **State Employees Health Benefits Plan.** The State has recently signed a contract with a new pharmacy benefits manager which will save the State \$3.6 million annually.
- **Health insurance reforms.** Develop Individual and Small Group Insurance Reform – using analysis and expertise developed by the Business Health Committee and a recently completed study of the Massachusetts “health connector” done by Drs. Barb Langner and Andy Allison, a model for an “Insurance Exchange” in Kansas should be developed. Legislative leaders are interested in the development of such an exchange. An entity such as the Connector which serves as a clearinghouse to facilitate the pooling and purchasing of health insurance could facilitate access to health insurance products by small employers and individuals. Certain elements of the Massachusetts Connector model, however appear to be fundamental to that goal; subsidies for low income workers, a mechanism to pool payments from multiple payers, variation in plans, use of pre-tax dollars for health insurance purchase, plan quality verification, and establishment of an adequately financed infrastructure.
  - Goal: A Kansas “connector” or health insurance “exchange” should be considered by the KHPA Board. This connector could be developed by the KHPA, the Business Health Committee and interested stakeholders for possible implementation in 2008/2009.
- **Reinsurance.** Push for Reinsurance in partnership with Commissioner Praeger and the Business Health Committee. Using a reinsurance mechanism similar to that of Healthy New York, premium volatility in the small group market can be reduced. The increased predictability in premium trends and lower costs could significantly expand coverage to small employers and sole proprietors. State subsidies for reinsurance could also work to reduce premiums and increase insurance coverage in the individual and small group market. A recent study commissioned by Praeger modeled four mechanisms of reinsurance using KHIIS data which showed that 5% of the insured small employer population accounted for 62% of the claims incurred in that market.
  - Goal: A reinsurance model for Kansas should be considered by the KHPA Board. The reinsurance plan could be developed by the KHPA, the Business Health Committee and interested stakeholders for implementation in 2008/2009.

### **Plan for Improving Health and Wellness:**

- **Indicators:** Specific measures for the following indicators of health promotion will be developed and measured over time: (1) Physical fitness; (2) Nutrition; (3) Age appropriate screening; (4) Tobacco control; (5) Injury control.
- **State Employee Health Benefits Plan.** The SEHBP is being re-designed to be a model for employers across the state by promoting health and wellness initiatives that encourage individual responsibility for health behaviors. This does not require spending new SGF as the funds are already contained within the SEHBP. Improving the populations' health and alleviating the necessity of expensive acute care for preventable conditions can be a powerful strategy not often represented in health reform efforts. Nearly two thirds of the rise in health care spending is linked to a rise in treated disease prevalence. Moreover, state employees tend to stay within the state system of the length of their careers and through retirement and thus can benefit from investments to prevent disability and disease and to improve quality of services, through, for example, information technology and implementation of best practices.
  - Goal: The SEHBP is currently developing a Request for Proposal to solicit competitive bids for a significant health promotion and disease prevention program for state employees. The vendor providing these services will be selected by the end of 2007 and implemented in 2008.
- **Medicaid and S-CHIP/HealthWave.** KHPA has explored additional health and wellness initiatives for Medicaid beneficiaries as outlined by the submitted FY 2008 budget, including paying for weight management physician visits, integrating Medicaid immunization records with KDHE, and a request for funding to study and implement health promotion programs for Medicaid beneficiaries.
  - Goal: The health and wellness initiatives for Medicaid/SCHIP beneficiaries will be funded by the legislature for implementation in 2007/2008. Additional health and wellness targeted to this population will be developed in 2007 for inclusion in the 2008 budget request.

### **Plan for Improving Stewardship:**

- **Indicators.** Specific measures for the following indicators of stewardship will be developed and measured over time: (1) Open decision making; (2) Responsible spending; (3) Financial reporting; (4) Accessibility of information; (5) Cooperation with the Centers for Medicare and Medicaid Services – our federal partners for the Medicaid and S-CHIP programs.
- **Complete Agency Staffing.** The KHPA needs to complete its staffing in order to meet its statutory mission. This includes adding 42 new staff to the agency, with an additional number of staff added to the Eligibility Clearinghouse (both agency and contract staff).
  - Goal: The additional staff for the KHPA will be funded by the legislature in 2007. Staff will be hired based on critical need priorities, beginning with finance and budget, and

following the plans approved by the Board. New staff will be added in 2007 and 2008 to complete the agency infrastructure.

- **Finance and Budget Focus.** KHPA is reorganized to reflect the increased focus on financial and budgetary responsibilities, including the hiring of the agency's first Chief Financial Officer, Scott Brunner, former Director of the Kansas Medicaid and HealthWave programs.
- **Reporting.** KHPA is now engaged in monthly public reporting of budget performance and financial status, including key administrative and programmatic details.
- **Audits and Deferrals Work Group.** KHPA worked with other state agencies to develop and oversee implementation of a CMS audit, deferral, and disallowance work plan to resolve outstanding issues, led by Dr. Barb Langner, Associate Professor at The University of Kansas School of Nursing. The goal of the audit and deferral project has two major objectives: (1) To ensure that Kansas is in compliance with our State Plan and with all federal regulations and (2) To ensure that once all issues have been resolved, there will be no further OIG or CMS audits of the State Medicaid program pre-2006.
  - Goal: The audits and deferrals work plan will be completed by spring 2007 and shared with the CMS regional and central offices.

#### **Plan for Improving Education and Public Engagement:**

- **Indicators:** Specific measures for the following indicators of education and public engagement will be developed and measured over time: (1) Advisory Council Participation; (2) Data Consortium Participation; (3) Public communication; (4) Community/Stakeholder/Advocacy Partnership; (5) Foundation Engagement.
- **External Communications.** KHPA developed a new website, which is updated daily, to better inform consumers, providers, and purchasers about our programs and policies. In addition, KHPA conducted five town hall meetings for stakeholders. These community meetings were held in Hays, Kansas City, Wichita, Pittsburg, and Garden City, allowing area residents an opportunity to voice opinions regarding the future of the Kansas health system.
- **Internal Communications.** The agency instituted new ways to communicate with its staff, including the creation of a staff e-newsletter, which is distributed weekly to staff members, and established quarterly all-staff town hall meetings.
- **Interagency Collaboration.** KHPA created an Interagency Deputy Secretaries Planning Group to better coordinate the health issues and policies facing the State and Kansans. The group meets monthly to discuss new initiatives, share ideas, and facilitate effective programmatic coordination.

## **YEARS TWO THROUGH FIVE: July 2007-July 2012**

In order to improve health policy in Kansas that moves in the directions of the KHPA Board's vision principles, the State will be required to strike a balance between expanding public programs and improving the private insurance market. Significant policy change requires buy-in from various stakeholders who must be a participant in the development of reforms and be assured -- both collectively and individually -- that their constituency stands to benefit in the long term. Additionally, funding for various health reform initiatives is key and must be considered when determining the feasibility of reform initiatives.

### **Directions to Advisory Councils: Working With Stakeholders.**

The recommendations of the Advisory Councils to the Board may be significant in framing policy reforms for the Board's considerations.

The Board needs to direct the Reform Councils (Provider, Purchaser, and Consumer) regarding specific policies that address increasing access, improving quality, and increasing affordability and sustainability. Each of the reform councils will be staffed by the KHPA (See Draft Council guidelines). These specific proposals will then be combined and presented to the KHPA Board for revisions.

The scope of the work for the Reform Councils must be determined by the Board. Key decisions include:

1. What does the Board consider to be its biggest policy priorities? For example, does the Board want to embrace the goal of achieving universal health care coverage or access? If so, what is the timeframe for implementation?
  2. Does the Board want to embrace other significant reforms? If so, are they reforms that the Authority has already begun to develop (for example, DSH Reform) or are they reforms that take the Authority in new directions? If so, what ?
- Goal: The Councils will be created by the end of Feb 2007 and begin meeting in March 2007. The Board will provide the Councils specific instructions regarding multi-year reform objectives. Councils will meet throughout the spring, summer, and fall and provide interim recommendations to the Board by November 2007 and final recommendations in December 2007.

**Need for Economic Impact Analysis for Coverage Expansion.** In addition to stakeholder input, an economic modeling analysis of various policy options to improve access to health coverage in Kansas is needed. Such an analysis is necessary to understand how different policy proposals affect coverage changes (in public programs, employer sponsored insurance, directly purchased insurance, and the uninsured) as well as spending by payer (State government, federal government, families, employers). This information is critical in helping to determine which proposals are most feasible in Kansas. Two foundations, one national and one Kansas-based, have expressed interest in funding such an analysis.

- Goal: Funding for an economic impact analysis for various health reform proposals will be obtained from philanthropic organizations during the spring of 2007. Analysis of various multi-year reform objectives will be completed as quickly as possible although likely no sooner than 2008.

**Simplification and Expansion of Public Programs.** Simplification of current public programs such as Medicaid and S-CHIP are needed to ease enrollment and renewal and increase participation rates among eligible as well as uninsured persons. However, eligibility for the Kansas Medicaid and S-CHIP must be expanded. A comprehensive reform package could include:

- **Increasing Medicaid eligibility for adults.** With one of the lowest eligibility criteria for adults to qualify for Medicaid in the US, Kansas should expand eligibility for adults in the Temporary Assistance to Families (TAF) program who have incomes of no more than 29-36 percent of FPL to all adults with 100% of FPL. This would cost \$22 million in SGF.
  - Goal: Expansion of Medicaid eligibility for Kansas adults up to 100 percent of the FPL should be considered by the KHPA Board, however, funding for such an initiative should be identified. Kansas has far fewer federal Medicaid dollars than many other similarly situated states and we should look for innovative ways through the Deficit Reduction Act (DRA) to draw additional federal match, as well as identify savings from other initiatives (such as HIT/HIE) to help fund this kind of expansion.
- **Consider DRA Flexibilities.** The DRA allows moving waiver services into the Medicaid state plan, designing benchmark benefit packages with more cost sharing, and exploring innovative reform models through Medicaid Transformation Grants. KHPA is currently working with KDoA and SRS on developing plans to utilize DRA flexibilities – flexibilities that the federal government has only recently provided regulations. These will be included in a comprehensive reform plan.
  - Goal: See Above. The DRA flexibility workgroup should identify innovative policies during the summer and fall of 2007 for CMS approval and implementation in 2008.
- **Move to a wellness payment incentive model.** Measure the health and wellness outcomes of physicians with Medicaid PCCM panels. Provide cash bonuses for improving the health status of patients assigned to the PCCM. Provide incentives (technology payments, special training, infrastructure grants) to physicians or practices that demonstrate high quality care.
  - Goal: The Data Consortium will be created in the spring/summer of 2007 and the Provider Advisory Council will be created in Feb. 2007. These groups can develop a Wellness Payment Incentive Model for providers that should be developed in 2007 for implementation in 2008.
- **Rebalance institutional versus community based care in the long term care population.** Nearly three quarters (73%) of the Kansas Medicaid expenditures are devoted to the disabled and elderly, although this population comprises about one quarter of the beneficiaries. Fully half of all expenditures in the state are spent on dually eligible beneficiaries (eligible for both Medicaid and Medicare). CMS is encouraging states to provide more coordination between Medicaid and Medicare funded care to improve health outcomes. There are new funds available to study and implement policies to rebalance the Medicaid system between institutional and community based services. Research suggests that policies that move individuals from institutions into home and community based services are less expensive per beneficiary, but may attract more overall participants; this is a policy area to further explore with the Department of Aging and SRS.

- Goal: The Interagency working group should develop a thoughtful plan for rebalancing institutional versus community based care during 2007 for consideration by the Board, Governor and legislature in 2008.

**Health insurance reform, particularly in the small business and individual insurance market.**

This could include tax credits previously proposed by the Business Health Policy Committee or implementation of a new purchasing entity for individual purchase of coverage at pooled group rates.

- Goal: The KHPA Board should identify those initiatives aimed at increasing health insurance coverage in the small business and individual insurance market described below. Such proposals could be more fully developed and considered by the Advisory Councils for recommendations and input. Proposals that could be considered include:
- **Strengthen existing small business initiatives.** Currently a small employer tax credit and the Business Health Policy Committee provide underutilized mechanisms capable of improving access to health insurance for a population of over 75,000 uninsured working adults in Kansas. The tax credit has underperformed due to continued administrative complexity, lack of public visibility, and its temporary nature. The Business Health Policy Committee developed a benefit package, secured bids on that package, and proposed a pilot subsidy project for low-wage workers in Sedgwick county but implementation was halted due to lack of FY 2007 funding. This initiative taken statewide has great potential to reach a large segment of uninsured Kansans.
- **Promoting a “Buyer’s Group” for health insurance.** Kansas could create a Buyers Health Care Group similar to the Minnesota plan which is one of the best-known employer health care purchasing coalitions in the country. The goal of a Buyers Health Care Group is to spur employers, health care providers, government leaders, insurers and consumers to think about and purchase health care services differently. Employers in the BHCAG coalition combine their purchasing power and work closely with health care providers and administrators to create a health care delivery method that provides access to quality, cost-effective care for employees and their families.
- **Expand access through SEHBP buy-ins.** Currently a limited number of school districts and municipalities are participating in the SEHBP buy-in program. Review the qualifications and underwriting criteria for the existing buy-in option for non-state public employees to encourage additional participation by schools and municipalities.
- **Expand insurance to young adults through their parent policies.** Currently, dependent children of state employees who are under the age of 23, receive half of their support from the state employee, and do not file a joint tax return with another taxpayer, can receive health insurance through their parent’s policy. Extending the age of dependency could cover more young adults in the state. Change the age from 23 to 25 and mandate that private insurers also provide coverage to dependent. In Utah, for example, a dependent may not age-out of health care coverage until their 26th birthday, regardless of whether or not they are enrolled in school. New Jersey enacted a law that provides coverage for dependents until their 30th birthday, as long as they have no dependents of their own. States have also expanded the definition of dependent. At least four states recognize grandchildren as dependents.

- **Implement the subsidized Business Health Policy Committee Small Employer Health Insurance Program.** Employers who have not offered health insurance for two years would have access to an administratively simple and comprehensive health insurance plan available through the Business Health Partnership with subsidies available for employees with family incomes below 200% FPL.

**Individual versus Employer Mandate:** The provision of employers sponsored insurance (ESI) continues to decline across the US and is linked to the increasing number of uninsured, currently at an all time high. Several states seeking to achieve universal coverage are considering individual mandates (such as that passed in Massachusetts) given the regulatory difficulty of passing employer mandates (employer sponsored coverage being largely regulated through ERISA). There are different means by which to mandate individual policies and employer requirements are often coupled with the individual mandate. Employers can either be required to provide a “modest employer assessment” of a specific amount (such as \$400) per worker per year such as in Massachusetts. Or, employers can be required to “pay or play” – requiring employers to either offer health insurance coverage to their employees or to pay a specific amount (usually a percent of payroll) to help subsidize those who don’t have employer sponsored coverage. Should Kansas wish to achieve universal coverage, an individual mandate should be considered and analyzed.

- **Goal:** The KHPA Board should consider whether embracing an individual or employer mandate is appropriate for Kansas in ensuring health care for all Kansans and whether to direct the Advisory Councils to explore the implications of such a proposal.

**Summary:** This strategic plan framework is designed to significantly improve the health care system in Kansas – through expanding access to health care coverage, enhancing health care quality through information technology and transparency, promoting health and wellness, and increasing affordability of health insurance – should be achieved in partnership with health stakeholders, and should build on the goals of the Governor and legislature.

